

REITs

4Q25 Results Preview

Highlights

- We expect 4Q25 sector earnings and DPU to grow by 9% yoy and 8% yoy, respectively, boosted by inorganic expansion and AEIs. For 2026, we forecast sector earnings and DPU growth of 9% and 4% yoy, respectively.
- 4Q25 results will be boosted by seasonally stronger retail spending and hotel occupancy, while improving tenant sentiment after the SST changes supports rental reversion going forward.
- Further narrowing of yield-spread hinges on US interest rate cuts and clarity on WHT extension. Maintain MARKET WEIGHT with CLMT as our top pick.

Analysis

- **4Q25 results preview.** We expect a sector earnings growth of 9% yoy and DPU growth of 8% yoy in 4Q25, driven by: a) IGBREIT from a one-month contribution from Mid Valley Southkey Mall acquisition which was completed in end-Nov 25, and b) SREIT on asset acquisitions of Sunway Kluang Mall and AEON Mall Seri Manjung. Cumulatively, we expect full-year sector earnings and DPU growth of 13% yoy and 7% yoy, respectively, in 2025.
- **Seasonally higher retail spending.** Overall, we expect 4Q25 results to be boosted by seasonally higher retail spending and hotel occupancy from the year-end school holidays and festive season, benefitting REITs with: a) a relatively higher gross turnover rent mix (ie PREIT and IGBREIT) and b) hotel component (ie SREIT, PREIT, KLCCSS). In addition, CLMT's overall shopper traffic should benefit from AEIs and a fresh tenant mix, supported by: a) reconfiguration exercises at Gurney Plaza; and b) higher occupancy at The Mines and 3 Damansara, driven by new F&B and entertainment tenants.
- **Negative sentiment on SST implementation stabilises.** We understand that consumer and tenant sentiment has stabilised after the SST adjustments in Jul 25, with SREIT recording a narrowing decline in retail sales psf (-3% yoy in 9M25 vs -5% yoy in 1H25) and an improvement in monthly rental revenue psf growth for Mid Valley Megamall (+0.5% yoy in 3Q25 vs -2% yoy in 2Q25). This encouraging trend in retail sales, alongside a marginally lower SST on rental and leasing services (from 8% to 6%) effective 1 Jan 26, should also support REITs' rental renewal negotiations going forward.
- **Sector yield spread has compressed ytd.** The sector's 12-month forward yield spread against the 10-year Malaysian Government Securities (MGS) has compressed by 41bp to 182bp ytd (vs five- and 10-year averages of 228bp and 172bp, respectively). This was driven by: a) narrowing sector yields (from 5.7% to 5.4%), and b) a higher 10-year MGS yield (from 3.5% to 3.6%). In our view, further yield-spread compression will hinge on: a) any US Federal Reserve rate cuts, and b) clarity surrounding withholding tax (WHT) extension.

Peer Comparison

Company	Ticker	Rec	Price 19 Jan 26 (RM)	Target Price (RM)	Upside To TP (%)	Last Year End	PE 2024A (x)	PE 2025E (x)	PE 2026E (x)	Yield 2026E (%)	ROE 2026E (%)	Market Cap. (RMm)	Price/ BV ps (x)
Axis REIT	AXRB MK	BUY	1.99	2.24	12.6	12/24	23.8	20.2	19.6	5.2	6.2	4,030	1.3
CapitaLand Malaysia	CLMT MK	BUY	0.67	0.78	16.3	12/24	14.0	13.3	12.9	7.6	5.2	2,232	0.8
IGB REIT	IGBREIT MK	HOLD	2.93	2.61	(10.9)	12/24	28.2	24.7	23.0	4.5	10.2	12,667	2.2
KLCC Stapled Group	KLCCSS MK	HOLD	9.01	8.51	(5.6)	12/24	20.8	20.0	19.0	5.3	5.9	16,266	2.9
Pavilion REIT	PREIT MK	BUY	1.99	2.00	0.5	12/24	23.5	22.6	20.8	5.1	6.9	7,810	2.0
Sunway REIT	SREIT MK	HOLD	2.49	2.31	(7.1)	12/24	25.5	19.9	19.9	4.8	7.6	8,528	1.6
KIP REIT	KIPREIT MK	NR	0.94	NR	-	6/25	-	12.2	11.6	7.7	7.6	901	0.8

Source: UOB Kay Hian

MARKET WEIGHT (Maintained)

Analyst(s)

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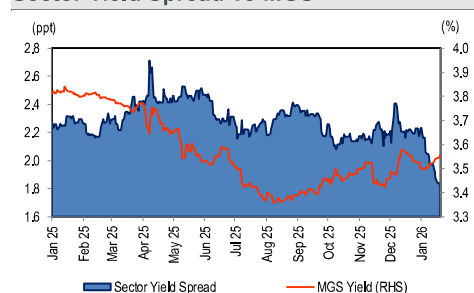
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Sector Picks

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
CapitaLand Malaysia	CLMT MK	BUY	0.67	0.78

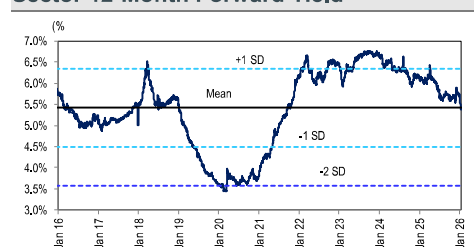
Source: Bloomberg, UOB Kay Hian

Sector Yield Spread To MGS



Source: Bloomberg, UOB Kay Hian

Sector 12-Month Forward Yield



Source: Bloomberg, UOB Kay Hian

Tuesday, 20 January 2026

- **CLMT resilient under WHT stress test.** While a reversion to prevailing tax treatment appears less likely in our view, our stress test suggests that CLMT and KIP REIT would remain relatively resilient, with 2026 net yields still above 5.5% and supported by their higher domestic unitholder mix. In a scenario where foreign unitholders face a higher effective tax rate, REITs with lower foreign ownership are better insulated. Among peers, CLMT, KIP REIT and KLCCSS have less than 5% foreign shareholding, while AXRB, SREIT, IGBREIT and PREIT have foreign shareholdings above 5%, per latest check.

Sensitivity Analysis

	Dividend yield (%) 2026F	Net yield (%) Post 24% tax	Net yield (%) Post 10% WHT
Axis REIT	5.2	3.9	4.6
CapitalLand Malaysia	7.7	5.8	6.9
IGB REIT	4.6	3.5	4.1
KLCC Stapled Group	5.2	4.0	4.7
Pavilion REIT	5.3	4.0	4.8
Sunway REIT	4.8	3.6	4.3
KIP REIT	7.7*	5.8	6.9

*Based on Bloomberg FY27F estimates

Source: Bloomberg, UOB Kay Hian

- **We forecast sector earnings growth of 9% yoy and DPU growth of 4% yoy in 2026.** This is on the back of a sector revenue growth of 8% yoy, driven by IGB REIT's asset injection of Mid Valley Southkey Mall. Looking ahead, we expect REITs to continue with their asset acquisitions in both retail and warehouses, albeit at a slower pace compared with 2025 as acquisition costs have risen. Notable asset injections include SREIT's Sunway Velocity Mall by end-26, as well as CLMT and Axis REIT's industrial asset acquisition targets.

Valuation/Recommendation

- **Maintain MARKET WEIGHT.** Our cautiously optimistic outlook for 2026 is underpinned by: a) slower luxury sales growth, b) higher operational costs from full-year minimum wage hikes, and c) SST expansion impacts. However, the negatives should be offset by: a) higher footfall and occupancy from VMY2026 and MICE events, b) growing demand for industrial assets, and c) lower electricity costs from energy savings. Our top pick is CLMT given its attractive dividend yield of 7.6% for 2026.
- **CapitaLand Malaysia Trust (CLMT MK/BUY/Target: RM0.78).** CLMT continues to benefit from its strong presence in neighbourhood malls, with assets outside Klang Valley delivering a resilient performance. In recent years, the REIT has expanded into industrial properties, acquiring over RM600m worth of assets. We remain positive on CLMT for its attractive dividend yield of 7.8%. Our DDM-based target price implies a 6.6% 2026 dividend yield (vs 10-year mean of 6.1%), based on a required rate of return of 8.5% and terminal growth rate of 1.5%.

Sector Catalyst/Risk

- Intensifying competition from new mall and hotel openings impacting footfall and occupancy.
- Softening retail sales momentum.
- Higher construction and refurbishment costs, potentially diluting acquisition yields.

Key Assumptions

(%)	2024	2025F	2026F
Revenue Growth	8.8	6.1	8.0
Core Earnings Growth	8.8	12.7	9.3
DPU Growth	7.7	6.9	4.2

Source: Respective companies, UOB Kay Hian

Implied 2026 Yield By REIT

Axis REIT	4.6%
CapitalLand REIT	6.6%
IGB REIT	5.1%
KLCC REIT	5.6%
Pavilion REIT	5.1%
Sunway REIT	5.1%

Source: Respective companies, UOB Kay Hian

Forward Yield Spread Vs Historical Mean

	10-year mean	5-year mean	12-month forward yield spread
Axis REIT	1.47	1.39	1.56
CapitalLand REIT	2.32	3.42	4.12
IGB REIT	1.61	1.96	0.92
KLCC REIT	1.47	2.06	1.85
Pavilion REIT	1.64	2.64	1.55
Sunway REIT	1.80	2.19	0.94

Source: Respective companies, UOB Kay Hian

CLMT 12-Month Forward Yield Spread



Source: Bloomberg, UOB Kay Hian

PREIT 12-Month Forward Yield Spread



Source: Bloomberg, UOB Kay Hian

AXRB 12-Month Forward Yield Spread



Source: Bloomberg, UOB Kay Hian

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